

2015-16 Mid Year Economic and Fiscal Outlook Brief

Wednesday, December 16th 2015

2015-16 MYEFO Review

On balance, the 2015-16 MYEFO was largely positive for the tourism and transport sectors. Given the precarious state of the Federal Government's finances we held some fear there would be efficiency dividends applied to agencies such as Tourism Australia or Parks Australia, or that critical funding for infrastructure might be withdrawn – but neither eventuated.

SPECIFIC MEASURES

The Government has taken \$8.8 million from the Department of Immigration which would have supported implementation of the new biometric data platform, which is clearly a blow to the future visitor experience of our international guests.

On a slightly more positive note, the MYEFO confirms the following funding measures:

- \$26.9 million for the Department of Immigration and Border Protection for reforms to tourism visas, generating estimated revenue of \$37.7 million, to grow the tourist economy in the north. Reforms include: expanding online lodgement of visitor visa applications in China and India; trialling visitor visa online lodgement in simplified Chinese; a visa with ten years validity for Chinese nationals; and a visa fast track service for a fee;
- \$95.0 million for Stage 2 of the Gold Coast Light Rail; and
- \$20.0 million in 2015-16 to contribute to the redevelopment of the Sydney Harbour Federation Trust's HMAS Platypus site in North Sydney.

KEY BUDGET METRICS AND ECONOMIC OUTLOOK

The 2015/16 underlying cash balance is now expected to come in at a deficit of \$37.4b (revised from \$35.1b), with a total increase in projected budget deficits of \$26.1b out to 2018-19. This has been driven by weaker expectations for revenue flows and further constraints on spending.

The combination of a soft outlook for commodity prices, benign wages and company profits growth is holding back growth in nominal GDP and therefore restricting tax revenue growth. Treasury's expectations for real growth have also softened slightly (down from 3.5% to 3% growth on average over the forecast period).

KEY BUDGET FACTS AT A GLANCE

2015-16 MYEFO (2015-16 Budget)	2015-16	2016-17	2017-18	2018-19
Underlying Cash Balance (\$billions)	-37.4 (-35.1)	-33.7 (-25.8)	-23.0 (-14.4)	-14.2 (-6.9)
Real Gross Domestic Product (%)	2.5 (2.75)	2.75 (3.25)	3.0 (3.5)	3.0 (3.5)
Net debt to GDP (%)	16.9 (17.3)	18.3 (18)	18.5 (17.6)	18.2 (16.8)